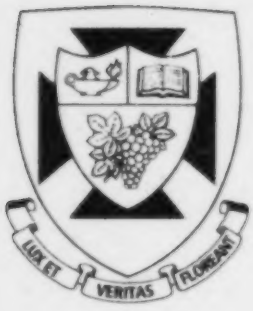

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

THE UNIVERSITY OF WINNIPEG

WINNIPEG, MANITOBA, CANADA

106-01054/

THE UNIVERSITY OF WINNIPEG

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended March 31, 2005

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THE UNIVERSITY OF WINNIPEG

The University of Winnipeg

Report on the Consolidated Financial Statements

Report of the Vice-President Finance & Administration

The University of Winnipeg's consolidated financial statements contain the financial results of the University of Winnipeg's operations and the operations of the University of Winnipeg Educational Housing Corporation. The University of Winnipeg Foundation's financial results are included by means of an extensive note within the consolidated financial statements for purposes of disclosure. The University's operations include the University undergraduate and graduate credit programs, Continuing Education Division, the Collegiate, Campus Services, Academic Enterprises, sponsored research & designated funds, and trust & endowment funds.

The University has completed a successful year of operations, with record student enrolment and major capital renovation projects continuing through the year. A new Aboriginal Students Centre was opened in the fall of 2004 and the renovations to one of the Young Street Buildings were also completed. The major renovations to the exterior of Wesley Hall have continued with much progress made through to the end of the fiscal year. Building on the hard work and initiatives begun in earlier years, the University has again in 2004 -2005 achieved an accumulated operating surplus and reports an improved unrestricted net assets and restricted net assets position. The success of both administrative and academic areas, in managing operating budgets, is again recognized.

Whilst these results underline the continuing turnaround in the University's financial results, it also has to be acknowledged that there remain significant areas within the University, in terms of infrastructure and equipment that still require attention. Through a planned program of specific Strategic Provisions and prudent use of the operating budgets the University has begun to address the issue of underinvestment that the institution has experienced over many years.

The improvement in the University's financial situation was evidenced by a net operating surplus of $758,000 and a net increase in unrestricted net assets of $454,000 to $2.3 million and an increase of $577,000 in internally restricted net assets to $2.4 million as reported in Statement III. The changes within Net Assets in Statement III include:

a) Internally funded transfers in respect of capital asset additions of $1.01 million and amortization totaling $1.26 million;

b) The addition ($1.08 million) for the year to Strategic Provisions within internally restricted net assets as well as the expenditures ($517,000) funded from Strategic Provisions within the year;

c) Unspent endowed investment earnings in trust ($208,000) and

d) Recognition of endowed investment net realized gains of $2.17 million, as well as the transfer of the Endowment Fund ($20.98 million) to the University of Winnipeg Foundation.

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The Administration prepared a balanced budget for fiscal 2005-2006 that was approved by the Board of Regents in May 2005. The budget reflects the operating plan for the University in the current year. The 2005-2006 budget is designed to build on the improvement in the University's financial position achieved in 2004-2005 and provides a balance between supporting and providing for current operating needs, while also allowing for some of the unmet student needs of the University to be modestly addressed. The budget is fiscally responsible as the University fosters the process of building the financial position toward long-term sustainability.

The University resolved some of the funding issues surrounding the pension plan with final agreement and settlement being concluded with stakeholders during 2004-2005. In addition the University also entered into an agreement with Government whereby, through change in regulation, the University was given opportunity to seek a three year exemption from making special solvency payments into the pension plan pending the outcome of an independent actuary review in terms of options to develop a sustainable pension plan.

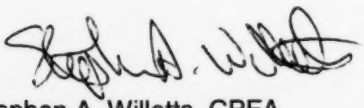
The University of Winnipeg Foundation (established in 2002-2003) contributed $4.6 million towards major capital projects undertaken by the University, including the restoration of the exterior to Wesley Hall and the creation of an Aboriginal Students Centre. Also during 2004/2005 the University completed the transfer of Endowment Funds to the University of Winnipeg Foundation.

The significant challenges, for the University, that are present in the immediate term include:

a) Successful resolution of the pension solvency matter working diligently through the process agreed between the University and Government.

b) The University faces particular challenges, as do many institutions, regarding the need to successfully accommodate additional students at a time of increasing enrolments and increasing retention levels. These increases bring many challenges in terms of, for example, ensuring appropriate space and teaching staff whilst continuing to provide the highest standards of educational excellence.

The University has made further progress in stabilizing its financial condition during the past year. The challenge remains for the University to maintain the progress and to continue to build to a position of long-term fiscal sustainability.



Stephen A. Willetts, CPFA
Vice-President (Finance & Administration)
The University of Winnipeg

June 17, 2005

THE UNIVERSITY OF WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

Stephen Willetts, CPFA
Vice-President (Finance & Administration)

B. Douglas Prophet, CA
Executive Director, Financial Services

Winnipeg, Manitoba
June 17, 2005

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Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Regents of the University of Winnipeg

We have audited the consolidated statement of financial position of the University of Winnipeg as at March 31, 2005 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
June 17, 2005

Jon W. Singleton, CA•CISA
Auditor General

THE UNIVERSITY OF WINNIPEG **Statement I**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2005
(with comparative figures for 2004)

ASSETS

	2005 $000	2004 $000
Current Assets:		
Cash and Short Term Investments (Note 3)	$13,719	$11,962
Accounts Receivable	3,651	2,242
Due from Related Party (Note 19)	533	440
Prepaid Expenses	998	833
Inventory	779	852
	19,680	16,329
Long Term Investments (Note 4)	668	19,635
Capital Assets (Note 5)	47,223	43,434
	$67,571	$79,398

LIABILITIES

Current Liabilities:		
Accounts Payable & Accrued Liabilities	$5,835	$4,839
Deferred Revenue	1,921	1,910
Deferred Contributions (Note 6)	4,910	4,600
Unfunded Staff Benefits (Note 7)	1,243	1,200
Due to Related Party (Note 19)	417	-
	14,326	12,549
Long Term Liabilities (Note 9)	1,557	1,412
Deferred Capital Contributions (Note 10)	36,402	32,275
Net Assets:		
Unrestricted Net Assets	2,314	1,860
Internally Restricted Net Assets (Note 11)	2,402	1,825
Endowments (Note 12)	650	19,244
Investment in Capital Assets	9,920	10,233
	15,286	33,162
	$67,571	$79,398

Commitments (Notes 15, 16 & 18)
Contingencies (Note 17)

Approved by the Board of Regents

Chair, Board of Regents

President & Vice Chancellor

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2005
(with comparative figures for 2004)

Statement II

	2005 $000	2004 $000
REVENUE		
Government Grants:		
Council on Post Secondary Education	$35,792	$34,931
Other Province of Manitoba	2,092	1,638
Government of Canada	2,515	2,380
Student Academic Fees	25,211	24,154
Gifts, Grants & Bequests	1,332	622
Investment Income	1,358	1,476
Sales of Services & Products	4,240	3,940
Other Revenues	4,752	4,460
Amortization of Deferred Capital Contributions	1,207	1,170
	78,499	74,771
EXPENSE		
Salaries	44,938	41,534
Staff Benefits	5,552	4,961
Supplies, Services & Other Expenses	11,338	10,555
Cost of Sales	2,927	2,701
Building, Utility & Related Expenses	5,829	5,484
Provincial & Municipal Taxes	1,819	2,168
Scholarships & Awards	2,060	1,930
Gifts to Related Foundation	813	0
Amortization of Capital Assets	2,465	2,545
	77,741	71,878
EXCESS OF REVENUE OVER EXPENSES	$ 758	$2,893

See accompanying notes to the consolidated financial statements.

Statement III

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2005
(with comparative figures for 2004)

	2005					2004
	UNRESTRICTED NET ASSETS $000	INTERNALLY RESTRICTED NET ASSETS (Note 11) $000	ENDOWMENTS (Note 12) $000	INVESTMENT IN CAPITAL ASSETS $000	TOTAL $000	TOTAL $000
BALANCE, BEGINNING OF YEAR	$1,860	$1,825	$19,244	$10,233	$33,162	$27,914
Excess (Expense) Revenue	758				758	2,893
Direct Increases (Decreases):						
Endowment Contributions					0	1,996
Endowed Investment Net Realized Gains			2,177		2,177	343
Unspent Investment Earnings			208		208	66
Transfer to Related Foundation (Notes 4 & 12)			(20,979)		(20,979)	0
Draw on Cumulative Unspent Invest. Earnings					0	(50)
Adjustment to Prior Year				(40)	(40)	0
Transfers:						
Internally Funded:						
Capital Asset Additions	(1,008)			1,008	0	0
Amortization of Capital Assets	1,258			(1,258)	0	0
Loss on Disposal of Capital Assets	23			(23)	0	0
Internally Restricted Net Assets – Trust	(14)	14			0	0
Strategic Provisions – Expenditures (Note 11)	517	(517)			0	
Strategic Provisions – Additions (Note 11)	(1,080)	1,080			0	0
NET CHANGE FOR THE YEAR	454	577	(18,594)	(313)	(17,876)	5,248
BALANCE, END OF YEAR	$2,314	$2,402	$ 650	$9,920	$15,286	$33,162

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2005
(with comparative figures for 2004)

Statement IV

	2005 $000	2004 $000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$39,377	$39,447
Student Academic Fees	25,138	24,622
Gifts, Grants & Bequests	1,445	537
Investment Income	2,061	544
Sales of Services & Products	4,251	3,934
Other Revenues	4,577	4,757
Cash Paid for:		
Salaries & Benefits	(50,277)	(47,141)
Supplies, Services & Other Expenses	(11,543)	(10,696)
Cost of Sales	(2,855)	(2,778)
Building, Utility & Related Expenses	(4,883)	(5,641)
Provincial & Municipal Taxes	(1,938)	(2,327)
Scholarships & Awards	(2,060)	(1,930)
Gifts to Foundation	(118)	0
	3,175	3,328
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment Purchases for Campus Development	0	(274)
Purchase of Long Term Investments	(604)	(3,117)
Contributions of Assets	11	56
Contributed Assets Put in Service	(11)	(56)
Cash Purchase of Capital Asset	(6,085)	(2,930)
	(6,689)	(6,321)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Investment Income on Campus Development Fund	0	274
Retirement of Campus Development Fund	0	14,657
Transfer Campus Development Fund to UofW Foundation Inc.	0	(14,657)
Retirement of Endowment Fund – Long Term Investments	20,962	0
Transfer of Endowment Fund to UofW Foundation Inc.	(20,979)	0
Investment Income on Endowments	0	994
Long Term Debt Repayments on Mortgages	(48)	(45)
Cash Contributions Received for Endowment	0	1,365
Cash Received for Deferred Capital Contributions	5,336	2,055
	5,271	4,643
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,757	1,650
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,962	10,312
CASH AND CASH EQUIVALENTS, END OF YEAR	$13,719	$11,962
Cash and Cash Equivalents Consists of:		
Cash in Bank (Bank Indebtedness)	(873)	1,872
Short Term Investments	14,592	10,090
	$13,719	$11,962

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005

1. Authority and Purpose

The University of Winnipeg operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post secondary education and research in the humanities, sciences and social sciences. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

A) Contributions

The University has chosen to use the deferral method of accounting for contributions, one preferred by the Canadian Association of University Business Officers (CAUBO). Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Restrictions on contributions may only be externally imposed.

B) Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for tuition fees and sales of goods and services are recognized in the period in which the goods are received or the services rendered or substantially rendered.

Deferred contributions are externally restricted non-capital and non-endowment contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received. Amortization of deferred capital contributions is recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment contributions are recorded as direct increases in net assets in the period in which they are received.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments with original maturities of one year or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at cost. When there has been a loss in the value of a long term investment, that is other than a temporary decline, the investment is written down to recognize the loss.

E) Inventories

Bookstore and Printing inventories are valued at the lower of cost or net realizable value.

F) Capital Assets and Collections

Capital assets and collections purchased by the University are recorded at cost. Donated assets are recorded at estimated fair market value on the date received. Land, collections of rare books and works of art are not amortized. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings and Additions	60 years
Lease Hold Improvements	Term of Lease
Library Acquisitions	10 years
Furnishings & Equipment	10 years
Major System Computer Software	10 years
Computer Equipment & Software	5 years
Vehicles	5 years

G) Pension Plan

The University contributes to The University of Winnipeg Pension Plan. The Plan is comprised of a defined benefit segment and a defined contribution segment.

The University of Winnipeg Pension Plan assets, liabilities and changes in net assets are reported in the Plan's financial statements. The assets of the Plan are held in trust by independent custodians and are not recorded in the accounts of the University. The Auditor General of Manitoba audits the Plan's financial statements.

Recorded in the University's statements is the actuarially determined cost of maintaining the Plan. The accumulated difference between this cost and the University's funding contribution is reflected in the University's financial statements as either an accrued benefit asset or liability. The corridor approach is used to record actuarial gains and losses for the pension plan. Under this approach, the annual actuarial gains and losses are aggregated and, if that amount exceeds 10% of the greater of plan assets or liabilities, the excess amount is amortized over the expected average remaining service life of the covered employees.

H) Employee Future Benefits

The University accounts for employee future benefits on a prospective basis. Under this method, the cost of pension benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Future plan obligations are discounted using current market interest rates.

I) Financial Instruments

Financial instruments include receivables, investments, bank overdraft, payables and accrued liabilities and long-term debt.

a) Fair Value of Financial Instruments

The fair value of financial instruments are assumed to approximate carrying values, unless otherwise noted.

b) Credit Risk

The University is subject to credit risk through receivables. Receivables are with numerous organizations and individuals which reduces the concentration of credit risk. Reviews are made of the credit worthiness of accounts and reserves established as required.

c) Interest Rate and Foreign Exchange Risk

Interest rates, maturities and security affect the interest rate risk of the University's financial assets and liabilities.

The University is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the University's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The University does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

J) Use of Estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that reflect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

K) Principles of Consolidation

The consolidated financial statements of the University include the accounts of the University of Winnipeg Education Housing Corporation (UWEHC), a wholly owned entity. UWEHC secures and provides affordable residential accommodation for the benefit of persons enrolled at The University of Winnipeg. The University of Winnipeg Foundation, a controlled entity, is not consolidated in these financial statements.

3. Cash and Short Term Investments

Cash and short term investments consist of the following:

	2005 $000	2004 $000
Operating Funds	$8,585	$7,153
Sponsored Research & Designated Funds	1,969	2,260
	10,554	9,413
Trust Funds	3,165	2,549
	$13,719	$11,962

4. Long Term Investments

Long term investments are comprised of endowment funds:

	2005		2004	
	Fair Value $000	Cost $000	Fair Value $000	Cost $000
Cash & Fixed Term Instruments	$618	$618	$614	$600
Investment Shares	50	50	50	50
	$ 668	$ 668	$ 664	$ 650
Pooled Funds				
Bonds and Debentures			8,132	8,001
Canadian Equities			5,570	4,361
U.S. & International Equities			6,370	5,287
Cash & Short Term			1,336	1,336
	0	0	21,408	18,985
	$ 668	$ 668	$22,072	$19,635

Fair value, as represented above, was derived from the market value of investments. During the year, the University transferred endowments totalling $20,979 to the University of Winnipeg Foundation.

5. Capital Assets

	Cost $000	2005 Accumulated Amortization $000	Net Book Value $000	2004 Net Book Value $000
Land	$2,011	$0	$2,011	$2,011
Buildings, Additions and Improvements	49,520	16,721	32,799	32,437
Library Acquisitions	11,442	9,740	1,702	1,747
Furnishings and Equipment	22,986	18,304	4,682	4,744
Collections	1,160	0	1,160	1,147
Assets Under Construction	4,869	0	4,869	1,348
	$91,988	$44,765	$47,223	$43,434

Collections include Art Work & Rare Books recorded at fair value derived by independent appraisal at the time of acquisition or donation. The insured value of capital assets is $317.9 million (2004 - $301.3 million).

6. Deferred Contributions

Deferred contributions represent contributions received for special purposes such as Sponsored Research & Designated Funds and Special Purpose Trust consisting of scholarships and bursaries, library acquisitions and lecture funds.

	2005 $000	2004 $000
Balance, Beginning of Year	$4,600	$5,326
Contributions Received	6,117	4,988
Contributions Expended	(4,994)	(5,028)
Transferred to Foundation	(813)	0
Transferred to Endowment	0	(686)
Balance, End of Year	$4,910	$4,600
Balance Consists of:		
Sponsored Research & Designated Funds	$2,489	$2,355
Special Purpose Trust	2,421	2,245
	$4,910	$4,600

7. Unfunded Staff Benefits

The balance of unfunded staff benefits includes:

	2005 $000	2004 $000
Accrued Vacation Pay	$1,161	$1,117
Early Retirement Payable - Current Portion	0	3
Supplementary Pension Payable - Current Portion	82	80
	$1,243	$1,200

8. Bank Indebtedness

The University has an operating line of credit with a bank in the amount of $750,000 that is unsecured and bears interest at prime. The line of credit was not utilized at March 31, 2005 or March 31, 2004.

9. Long Term Liabilities

	2005 $000	2004 $000
Early Retirement Payable	$0	$1
Mortgage Payable	231	258
UWEHC Mortgages Payable	612	633
Supplementary Pensions Payable	714	520
	$1,557	$1,412

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing at 5 3/8% due October 1, 2012. The Council on Post-Secondary Education annual operating grant provides for the $40,054 annual mortgage payment.

UWEHC mortgages are secured by Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is due August 30, 2006 and has an interest rate of 6.61%. It is repayable at $2,715 per month including principal and interest. The four individual mortgages payable on the Spence Street properties are due April 1, 2007 and have an interest rate of 6.75%. They are repayable at $2,521 per month including principal and interest.

Principal payments on the mortgages during the next five years are:
2006 - $47,751; 2007 - $353,060; 2008 - $316,208; 2009 - $31,137; 2010 - $32,833.

10. Deferred Capital Contributions

Deferred capital contributions represent the unamortized external contributions for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2005 $000	2004 $000
Balance, Beginning of Year	$32,275	$45,773
Contributions Received	808	804
Contributions from University of Winnipeg Foundation Specified Fund	4,500	1,500
Mortgage Principal Contributions	26	25
Transfer to Revenue – Amortization	(1,207)	(1,170)
Transfer Campus Development Fund to University of Winnipeg Foundation	0	(14,657)
Balance, End of Year	$36,402	$32,275

11. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2005 is $2,402,000 (2004 - $1,825,000). It consists of cumulative net unrestricted trust income of $439,000 (2004 - $425,000) and strategic provisions of $1,963,000 (2004 - $1,400,000).

The cumulative net unrestricted trust income of $439,000 is available to fund Board of Regents scholarships.

The strategic provisions represents an appropriation from unrestricted net assets to internally restricted assets. This transfer is made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. Actual expenditures are authorized in accordance with appropriate policy.

The strategic provisions provide for:

	March 31, 2004 $000	Expended $000	Transfers $000	Additions $000	March 31, 2005 $000
Fiscal Stabilization					
Defined Benefit Pension Sinking Fund	200			300	500
Infrastructure					
Deferred Maintenance	100	(92)			8
Bookstore Point of Sale System	130	(130)			0
Academic Equipment	170	(170)		100	100
Building Renovations				466	466
Strategic Development					
Internal Research Grants	75				75
Library Endowment	150				150
Support to Academic Initiatives	100	(20)		74	154
Technology Systems	200	(67)	(133)		0
Advancement Services				85	85
World Council on Gifted Children				12	12
Employment Equity				20	20
Project Development	275	(38)	133	23	393
	$1,400	($ 517)	$ 0	$1,080	$1,963

12. Net Assets Restricted for Endowment Purposes

Endowments consist of externally and internally restricted contributions where the principal donation, as well as internal allocations by the Board of Regents, is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors or the Board of Regents. The economic value of the endowments is protected by limiting the amount of investment income that may be spent to 5% of the 5 year rolling market average of the principal donation. Investment income earned in excess of this amount is added to the internally restricted endowment principal. Investment income earned that is insufficient to meet current endowment spending is supplemented from previously endowed earnings related to internally restricted endowments.

The investment income required in 2003-04 to meet current endowment spending was supplemented from the previously endowed earnings related to internally restricted endowments in the amount of $49,750.

During 2004-05, endowments totalling $20,979,000 were transferred to the University of Winnipeg Foundation pursuant to the Endowment Fund Agreement.

March 31, 2005			March 31, 2004		
Externally Restricted $000	Internally Restricted $000	Total $000	Externally Restricted $000	Internally Restricted $000	Total $000
$650	$0	$ 650	$14,262	$4,982	$19,244

13. University of Winnipeg Pension Plan

The University of Winnipeg Pension Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Pension Committee oversees the administration of the Plan, monitors investments and makes policy recommendations to the Board of Regents of the University. A trust company holds the assets under a trust agreement and provides daily administration of the Pension Plan. Professional investment managers administer the portfolio.

The Plan covers all eligible employees of the University of Winnipeg, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment.

At December 31, 2004 the fair value of the Plan's net assets was $115,820,845 (2003 - $108,209,554). Under the Plan, contributions are made by Plan members and matched by the University of Winnipeg. A member who receives benefits from the long term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

Based on a Board of Regents' resolution of December 4, 2000 and implemented by amendment #2001/1 to the Pension Plan, Plan members at December 31, 2000, who were less than age 55 at December 31, 1999, could elect to either remain in the existing contributory defined benefit pension plan or alternatively, convert their accrued benefits at December 31, 1999 to a defined contribution equivalent. This resulted in their future benefits being determined on a defined contribution basis. Approximately one-quarter of the eligible members converted to the defined contribution plan. Employees at December 31, 2000 who were not members of the Plan at that date had the ability to elect to have their future benefits determined on a defined benefit or a defined contribution basis. Employees hired after December 31, 2000 will have their future benefits determined on a defined contribution basis.

The amendment also provided for an initial surplus distribution to the members who stayed in the defined benefit segment, a full surplus distribution for those who transferred to the defined contribution segment and a mechanism to allow the University to use its share of the surplus to fund its contributions. The Board resolution also provided for the members' share of the remaining surplus to be used to enhance benefits and for the establishment, at a later date, of a Board of Trustees to operate the Plan at arm's length from the University.

The University contributions to the Pension Plan from April 1, 2000 to March 31, 2002 were funded out of its share of the surplus in the defined benefit segment of the Pension Plan. The University resumed its contributions to the Pension Plan effective April 1, 2002.

In 2004, the University and the stakeholders who represent the members of the defined benefit segment of the Pension Plan reached an agreement to modify the provisions of both the Plan Amendment #2001/1 and the December 4, 2000 Board Resolution as described in Note 18. These modifications were included in Amendment 2004/B which was approved by the Board of Regents in October, 2004 and has been filed with the Pension Commission of Manitoba and the Canada Revenue Agency.

Effective April 1, 2002, the University adopted the accounting standard, Section 3461, of the Canadian Institute of Chartered Accountants concerning employee future benefits which includes pension, other retirement, and post-employment benefits other than pensions. The standard moves the accounting for pension benefits to an accrual basis from the cash accounting basis previously used, and with respect to pensions, requires the use of a prescribed market-related discount rate to measure the accrued pension benefit obligation. Consistent with Section 3461, the University has exercised a three-month accelerated measurement date for financial reporting purposes. Information about the University's pension plan is as follows:

Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

During 2001, Clarica Life Insurance Company (Clarica) was appointed administrator, custodian and investment manager of the defined contribution segment of the Plan and a transfer was made to Clarica of $6,654,632 in November, 2001. This amount consisted of:

i) The opening balance for each member of the defined contribution segment of the Plan as at January 1, 2000 as shown in a report on the partial conversion of the Plan from defined benefit to defined contribution, prepared by Eckler Partners Ltd. and filed with the Pension Commission of Manitoba in September, 2001;

ii) Contributions made by the members since January 1, 2000 plus a matching amount of University contributions plus interest at the net rate earned by the fund during the period.

Clarica is now part of Sun Life Financial.

The defined contribution segment of the Pension Plan consists of:

	December 31 2004 $000	December 31 2003 $000
Balance, Beginning of Year	$9,115	$7,338
Contributions	1,443	1,201
Benefit Payments	(343)	(427)
Net Investment Return	834	1,003
Balance, End of Year	$11,049	$9,115

Defined Benefit Obligation

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every 3 years. An actuarial valuation of the University of Winnipeg Pension Plan was prepared effective December 31, 2004 by Eckler Partners Ltd., a firm of consulting actuaries.

The benefit obligation has been calculated pursuant to CICA Handbook 3461 using a prescribed market-related discount rate. This approach differs from the calculation of the benefit obligation in the Pension Plan Financial Statements which use an expected long term rate of return.

The financial information is based on the financial position of the Defined Benefit Pension Plan as of December 31, 2004 and updated with employer contributions to the Pension Plan during the three-month period ending March 31, 2005.

Change in Defined Benefit Obligation

	2004 $000	2003 $000
Benefit Obligation, January 1	$102,219	$95,788
Current Service Cost	2,452	2,272
Interest Cost	6,050	5,919
Benefits and Refunds Paid	(5,229)	(4,438)
Actuarial Loss	5,264	2,678
Benefit Obligation, December 31	$110,756	$102,219

Change in Plan Assets

	2004 $000	2003 $000
Market Value of Plan Assets, January 1	$99,095	$90,349
Actual Return on Plan Assets, Net of Expenses	8,688	11,076
Employer Contributions	1,254	1,120
Employee Contributions	1,005	988
Benefits and Refunds Paid	(5,229)	(4,438)
Market Value of Plan Assets, December 31	$104,813	$99,095

Reconciliation of Funded Status

	2004 $000	2003 $000
Funded Status - (Deficit)	($5,943)	($3,124)
Employer Contributions After December 31	305	292
Unamortized Transitional Asset	(4,556)	(5,012)
Unamortized Net Actuarial Loss	10,643	8,210
Accrued Benefit Asset, Before Valuation Allowance	449	366
Valuation Allowance	(449)	(366)
Accrued Benefit Asset, Net of Valuation Allowance	$ 0	$ 0

Components of Pension Expense

	2004 $000	2003 $000
Employer Share of Current Service Cost	$1,447	$1,284
Interest Cost	6,050	5,919
Expected Return on Plan Assets	(5,857)	(5,574)
Amortization of Transitional Asset	(456)	(456)
Amortization of Actuarial Loss	0	121
Increase (Decrease) in Valuation Allowance	83	(130)
Net Pension Expense	$1,267	$1,164

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2001, its extrapolation to December 31, 2004 and the 2004 pension expense were:

Discount Rate	- pre-retirement	6%
	- post-retirement	6%
Rate of salary increase	- first year	2%
	- thereafter	5%

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2004 were:

Discount Rate	- pre and post-retirement	5.75%
Rate of salary increase	- 2005	2.5%
	- 2006	3.0%
	- thereafter	4.0%

Funding Obligation

In the event that the actuarial valuation of the Plan determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the Pension Benefits Act of Manitoba.

The actuarial valuation at December 31, 2004 confirms that the defined benefit segment of the Pension Plan has a solvency deficiency of $15,140,000.

The University would normally be required under the *Pension Benefits Act* to make additional annual payments of $3,435,000 over a five year period to retire the solvency deficiency. However, the Provincial Government has provided the University with an amnesty in respect of these payments. Under this amnesty, the Government has, by Order in Council (No.192/2005), made a regulatory change (Special Payments Exemption Regulation 75/2005) (the Regulation) under the *Pension Benefits Act* that enables the University to elect to defer the annual solvency payments over the next three years, thus providing time for the Government and the University to recommend a resolution to the solvency issue. It is expected that the University will make such an election pursuant to the Order in Council.

The Regulation also requires that the going-concern valuation at December 31, 2004 be reported to the Pension Commission using market value for assets and requiring any deficiency in this valuation to be funded over no more than 10 years rather than the normal 15 years. On this basis, the going-concern deficiency at December 31, 2004 is $1,988,000 and the annual funding payments are $268,000.

However, on the advice of the Plan Actuary, the University has decided to administer the plan using a smoothing approach to asset value and to fund the resulting deficiency over 15 years. On that basis, the deficiency is $3,746,000 and the annual funding payments are $386,000. This smoothing approach, as recommended by the Plan Actuary, was approved by the University's Board of Regents on May 30, 2005. The Regulation specifically permits the University to make funding contributions in excess of the minimum provided.

Because of the going-concern deficiency, the University is also required to make additional contributions of $166,000 in 2005, $178,000 in 2006 and $187,000 in 2007 to cover the current service shortfall.

As referred to in note 18, the University has already agreed with stakeholders to make an additional contribution of $600,000 in 2005. This will be used to cover the going-concern deficiency payment and the current service shortfall for 2005, with the balance being used to partially offset the payments in 2006.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have yet to be proclaimed and the corresponding regulations have yet to be published but, based on a preliminary interpretation, the Plan's Actuary estimates that these changes will add approximately $1,100,000 to the actuarial present value of accrued benefits at December 31, 2004 and would increase the annual funding payments to approximately $500,000.

14. Segmented Operations

Included in the excess of income over expenses in the Statement of Operations is:

	2005			2004		
	Revenue $000	Expense $000	Surplus (Deficit) $000	Revenue $000	Expense $000	Surplus (Deficit) $000
Collegiate	$3,468	$3,458	$ 10	$3,099	$3,314	($215)
Continuing Education	$4,618	$4,504	$ 114	$4,349	$4,461	($112)
Campus Operations	$5,059	$5,078	($19)	$4,775	$4,714	$61

15. Commitments

The University has lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including December 31, 2015. These lease contracts require annual payments over the next 5 years and in aggregate as follows:

	$000
2005/06	$2,015
2006/07	1,647
2007/08	862
2008/09	734
2009/10	704
Thereafter	1,761
	$7,723

16. The University of Winnipeg Foundation

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation in March 2003.

The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long-term income stream.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation that provide for the administration of the specified fund, the basis of operation and the relationship between the University and the Foundation, the transfer of endowment funds and the provision of support services by the University to the Foundation.

The agreements with The University of Winnipeg Foundation are as follows:

(a) Occupancy and Support Agreement

This Agreement documents the basis upon which the Foundation occupies space in Wesley Hall and elsewhere on Campus and the Foundation's use of certain existing systems, programs and personnel of the University. The Foundation has agreed to pay the University a fee of $3,750 per month for occupancy and support services. The Agreement is effective for an initial term ending March 31, 2004 with an option for automatic renewal for a subsequent 5 year term thereafter.

(b) Specified Fund Agreement

This Agreement provides for the transfer of the $14,000,000 Government of Manitoba capital contribution from the University to the Foundation. The Agreement contemplates the disbursement of $14,000,000 to the University on a scheduled basis, which coincides with proposed capital projects under the Campus Development Plan, including Wesley Hall. The Foundation is entitled to retain any interest/appreciation in capital achieved during the time the Foundation holds the funds.

(c) Coordination, Cooperation and Funding Agreement

The University and the Foundation have jointly agreed that all future fund raising activities directed to the general public shall generally be conducted by the Foundation. However, certain fund raising activities, such as the Wesmen Booster Club and direct gifts to libraries, will continue on an agency basis through the University of Winnipeg.

(d) Endowment Fund Agreement

The University and the Foundation entered into an Agreement that provided for the transfer of existing endowment funds from the University to the Foundation, with an effective date of April 1, 2004.

The financial information of the Foundation is not consolidated in the University's financial statements and is provided within this note and note 19 on Related Party Transactions.

The Foundation is a controlled entity of The University of Winnipeg based upon the following factors:

i) The University has representation on the Foundation's Board of Directors and has the authority to approve members at its discretion.

ii) The University has a significant economic interest in the Foundation which conducts its activities for the exclusive benefit of the University.

iii) The Foundation requires the University's consent to amend its by-laws.

iv) The objectives of the Foundation and the University have the common purpose to strengthen, deepen and advance the University's mission.

Financial Position:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

The financial position of the Foundation at March 31 is summarized as follows:

	2005 $000	2004 $000
Statement of Financial Position:		
Assets	$34,161	$14,239
Liabilities	$1,559	$478
Fund Balances:		
Operating Fund	627	446
Investment in Capital Assets	48	27
Building and Program Fund	605	0
Funds Held Pending Terms of Reference	265	723
Specified Fund	8,000	12,500
Endowment Fund	23,057	65
	$32,602	$13,761
	$34,161	$14,239

	2005 $000	2004 $000
Statement of Operations		
Sources of Funds:		
Transfer from University of Winnipeg	21,017	14,000
Accumulated Investment Fund	0	382
Investment Income	1,349	434
University of Winnipeg Support Funding	300	300
Endowment Administration Fee	420	0
Annual Donations	3,170	2,443
	26,256	17,559
Uses of Funds:		
Capital Programs	4,500	1,500
Endowment - Gifts to the University	905	0
Endowment - Administration Fee	420	0
Endowment - Administration Expenses	73	0
Operations	838	720
Donations Gifted to the University of Winnipeg	679	1,578
	7,415	3,798
Increase in Funds	$18,841	$13,761

Restrictions are placed upon expenditures within Funds including:

i) The Operating Fund reflects the administrative and overhead costs of undertaking the Foundation's activities.

ii) The Unrestricted Fund records the receipt of donations received in the year that are identified by the donor to go to the area of greatest need.

iii) The Building & Program Fund is specifically intended to record the receipt of all donations intended for the University of Winnipeg programs and capital projects.

iv) The Specified Fund consists of the initial funding of $14 Million transferred to the Foundation from The University of Winnipeg, pursuant to the "Specified Fund Agreement".

v) The Funds held pending Terms of Reference includes donations received for capital gifts, endowment gifts, and other restricted purposes not yet allocated pending donor wishes.

vi) The Endowment Fund reports the receipt of funds established from gifts by donors, which are designated to remain under the Foundation's management in perpetuity for endowment purposes.

In the Coordination Cooperation and Funding Agreement, the University has agreed to provide the Foundation with a $300,000 per annum operating grant, reducing by $30,000 per annum commencing in 2010-2011. This funding commitment will end in 2013-2014.

The University is required to make annual payments over the next 5 years and in aggregate as follows:

	$000
2005/06	$300
2006/07	300
2007/08	300
2008/09	300
2009/10	300
Thereafter	900
	$2,400

17. Contingencies

The University of Winnipeg is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings can not be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims, as of March 31, 2005

18. Agreement Between the University and Pension Plan Stakeholders

In April 2003, the University and all Pension Plan stakeholders of the defined benefit segment of the Plan agreed to amend the provisions of Plan Amendment 2001/1, that was approved in the Board of Regents resolution of December 4, 2000.

In 2003 and 2004, provisions of the agreement that have been implemented include:

(a) All stakeholders and the University (Plan Sponsor) to forego any further implementation of the Board of Regents' resolution of December 4, 2000 amendment to the Pension Plan.

(b) Elimination of the contribution credit balance and the cessation of any further distribution of surplus arising from the original agreement.

(c) The sections of Plan Amendment 2001/1 that were implemented remain unchanged. This includes pension contribution holidays taken, partial distribution of surplus to employees remaining in the defined benefit segment of the Plan, creation of a defined contribution segment of the Plan and the related transfer of full surplus share to those Members who elected to move from the defined benefit to the defined contribution segment of the Plan.

(d) Required University contributions to the defined benefit segment of the Plan were modified as follows:

  (i) The University pays both employee and University required contributions in respect of defined benefit Members who are in receipt of long-term disability benefits, effective April 1, 2003.

  (ii) The University's required contributions for defined benefit members were increased to 6.5 percent of pensionable salary less 1.8 percent of Canada Pension Plan contributory earnings effective April 1, 2003, and to 7 percent less 1.8 percent of Canada Pension Plan contributory earnings effective April 1, 2004.

(e) The University made a special payment of $638,000 in April 2003 direct to pensioners and active members of the defined benefit segment of the Plan as part of the final agreement.

The provisions of the agreement that remain outstanding are;

(a) Establishment of a Board of Trustees to oversee administration of the Pension Plan, subject to the filing of a Plan amendment and its approval by the Manitoba Pension Commission.

(b) The University will make an additional contribution of $600,000 into the defined benefit segment of the Pension Plan by no later than July 2005 or as soon thereafter as regulatory approval is secured.

The University filed the Plan Amendment with the Manitoba Pension Commission that implements the above Agreement in 2004.

19. Related Party Transactions

The University of Winnipeg Foundation (Foundation) is a controlled entity of The University of Winnipeg.

During the year ending March 31, The University of Winnipeg (University) incurred transactions as follows:

		2005 $000	2004 $000
From the University to the Foundation:			
i)	Operating grant	$300	$300
ii)	Annual donations received by the University on behalf of the Foundation and transferred to the Foundation	$0	$198
iii)	Transfer of the Campus Development Fund	$0	$14,657
iv)	Gifts to Foundation for endowment	$813	$0
v)	Transfer of the Endowment Fund	$20,979	$0
From the Foundation to the University:			
i)	Annual service fee	$45	$45
ii)	Transfer of specified funds	$4,500	$1,500
iii)	Transfer of annual donations to be endowed at the direction of donors	$0	$677
iv)	Transfer of annual donations	$788	$905
v)	Income allocation	$905	$0

At the end of the year, the amounts due to and from the Foundation are as follows:

	2005 $000	2004 $000
Due from Related Party		
Specified Fund	$533	$413
Operating	-	27
	533	440
Due to Related Party		
Operating	417	-
	$ 417	$ 0

20. Reclassification of Comparative Figures

Certain 2004 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2005.

21. Subsequent Events

A) University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation was incorporated by Articles of Incorporation, without share capital, on April 6, 2005. It is an entity controlled by the University of Winnipeg.

Its mandate is to support the University of Winnipeg by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater Community.

B) Acquisition of the Shawano-Wupunong Properties

The University of Winnipeg purchased the land and building located at 509 Ellice Avenue and 433 Young Street, Winnipeg, on April 1, 2005 for $1,000,000. The property will be used for educational access and community education programming.

The purchase of the properties was financed with an unsecured loan from the Province of Manitoba in the amount of $980,000 at an interest rate of 4.45%, repayable in full over 10 years. The University of Winnipeg was granted the authority to borrow the funds through an Order in Council passed by The Province of Manitoba on March 16, 2005.